

Message Text

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TO SECSTATE WASHDC 6944

UNCLAS ROME 14379

FOR SCA - BARBARA WATSON AND H - DOUGLAS J. BENNET

E.O. 11652: N/A

TAGS: CFED, ELAB, IT

SUBJ: INTERNATIONAL SOCIAL SECURITY AMENDMENTS ACT

1. MY ATTENTION HAS BEEN CALLED TO THE INTERNATIONAL SOCIAL SECURITY AMENDMENTS ACT, WHICH IS BEING CONSIDERED BY THE SUB-COMMITTEE ON SOCIAL SECURITY OF THE HOUSE COMMITTEE ON WAYS AND MEANS. I UNDERSTAND THAT CONGRESSMAN JAMES L. BURKE, CHAIRMAN, IS HOLDING HEARINGS ON THIS LEGISLATION. I URGE THE DEPARTMENT TO LEND ITS FULL SUPPORT TO THIS BILL, FOR REASONS SET FORTH BELOW.

2. IN 1973, ITALY AND THE UNITED STATES NEGOTIATED A SOCIAL SECURITY AGREEMENT BASED ON THE TOTALIZATION PRINCIPLE. WE UNDERSTAND THIS WAS THE FIRST OF ITS KIND INsofar AS THE U.S. GOVERNMENT IS CONCERNED. ALTHOUGH ITALY RATIFIED THIS AGREEMENT IN 1975, I AM INFORMED THAT THE AGREEMENT HAS NOT BEEN SUBMITTED TO THE SENATE FOR RATIFICATION BECAUSE U.S. SOCIAL SECURITY LAWS CONTAIN NO PROVISION FOR A TOTALIZATION AGREEMENT PER SE. THE BILL I SEEK YOUR SUPPORT FOR WOULD PROVIDE THE ENABLING LEGISLATION.

3. THE TOTALIZATION PRINCIPLE, WHICH WOULD BRING ABOUT COORDINATION OF THE SOCIAL SECURITY SYSTEMS OF DIFFERENT COUNTRIES, WOULD BENEFIT BOTH THE UNITED STATES AND ITALY.

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FIRST, IT WOULD ELIMINATE THE PRESENT UNFAIR DUAL CONTRIBUTIONS, WHEREBY U.S. CITIZENS WORKING TEMPORARILY IN ITALY FOR U.S. COMPANIES MUST PARTICIPATE IN THE SOCIAL SECURITY SYSTEMS OF BOTH COUNTRIES. BOTH EMPLOYER AND EMPLOYEE CONTRIBUTE TO TWO SYSTEMS. ITALIAN EMPLOYEES IN THE UNITED STATES UNDER THE SAME CONDITIONS FACE A SIMILAR PREDICAMENT. UNDER TOTALIZATION, THE EMPLOYEE WOULD BE

COVERED UNDER THE SYSTEM OF THE COUNTRY TO WHICH HE HAS THE PRIMARY ATTACHMENT. SECOND, TOTALIZATION WOULD PREVENT GAPS IN SOCIAL SECURITY PROTECTION THAT OCCUR WHEN A WORKER, THOUGH CONTRIBUTING TO SOCIAL SECURITY SYSTEMS OF BOTH COUNTRIES, HAS NOT BEEN EMPLOYED LONG ENOUGH TO BECOME ELIGIBLE FOR BENEFITS UNDER EITHER SYSTEM. UNDER TOTALIZATION, THE TIME EMPLOYED IN EACH COUNTRY WOULD BE ADDED TOGETHER, AND EACH COUNTRY WOULD PAY AN AMOUNT PROPORTIONAL TO THE TOTALIZED EMPLOYMENT COMPLETED IN THAT COUNTRY.

4. APART FROM THE INEQUITY OF SUBJECTING BOTH EMPLOYER AND EMPLOYEE TO "DOUBLE TAXATION" UNDER THE PRESENT SYSTEM, TOTALIZATION WOULD MEAN A SIGNIFICANT SAVING TO U.S. COMPANIES AND EMPLOYERS OPERATING ABROAD, WHICH IN TURN WOULD ACCRUE TO THE BENEFIT OF THE UNITED STATES INTERESTS. MOREOVER, SINCE INDIVIDUAL EMPLOYEE-EMPLOYER CONTRIBUTIONS TO THE ITALIAN SOCIAL SECURITY SYSTEM ARE SUBSTANTIALLY HIGHER THAN THOSE IN THE UNITED STATES, WE SEE A NET BENEFIT TO THE UNITED STATES IN THE BILATERAL U.S.-ITALIAN AGREEMENT.

5. IN SUM, ENACTMENT OF THE ENABLING LEGISLATION WOULD PERMIT THE SENATE TO PROCEED WITH RATIFICATION OF THE U.S.-ITALIAN AGREEMENT WHICH BOTH COUNTRIES DESIRE; IT WOULD PERMIT EXTENSION OF TOTALIZATION TO OTHER COUNTRIES, WITH COMMENSURATE BENEFITS TO BOTH THE UNITED STATES AND OTHER COUNTRIES CONCERNED; AND FOR THOSE U.S. CITIZENS WHO PERFORM

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MUST WORK IN DIFFERENT COUNTRIES FROM TIME TO TIME, IT WOULD ENABLE OUR GOVERNMENT TO NEGOTIATE AGREEMENTS ELIMINATING THE CURRENT UNECONOMIC PRACTICE OF MANDATORY CONTRIBUTION TO FOREIGN SOCIAL SECURITY SYSTEMS WHERE MONIES SO CONTRIBUTED MAY NEVER BE REDEEMED NOR ANY BENEFITS DERIVED THEREFROM. GARDNER

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